

**CITIZENS' RATE REVIEW COMMITTEE
MINUTES**

Wastewater Treatment Plant

Members Present:

Chair Matson Haug	Mike Gougler	Chuck Zickefoose
Tony Rourke	David Maben	Ernie Amundson (7:08 p.m.)
Mayor Bob Andrews, Ex-Officio		

Members Absent:

Dan Schutter (excused)

Staff Present:

Daniel Danicic, PE, Public Works Director
Elizabeth Comfort, Finance Director
Deb Galardi, Galardi Consulting
Dawn Karen Bevill, Recording Secretary

Others Present:

None

1. Call to Order/Roll Call/Introduction

The meeting was called to order at 7:01 p.m. by Chair Mat Haug.

Roll Call was noted by Dawn Karen Bevill.

2. Minutes

MOTION: Gougler/Maben to adopt the March 5, 2008 minutes. Motion carried by voice vote.

Dan Danicic gave an update on the Springs' Customer Class. An executive session was held and the City hired an outside attorney for expertise. Two case studies were cited. The City Council has the full range of options open to them. A public meeting will be held on April 1, 2008 and then it will be brought before the City Council on April 7, 2008.

Mat Haug asked about the City assuming capital costs.

Dan Danicic explained the 50% share of the current capital program. There is a justifiable methodology put together for a customer class.

Mayor Bob Andrews asked if the Citizens' Rate Review Committee (CRRC) will make any additional recommendations or comments on the deliberations that have taken place.

Dan Danicic replied no; exactly what was proposed will be presented to council.

Mayor Bob Andrews asked if Dan wants to add any addendum.

Dan Danicic replied no.

Charles Zickefoose and Mat Haug stated they would attend the April 7 City Council meeting.

3. Conclude Biennial Rate Review – Wastewater

Deb Galardi recapped the 2006 rate cycle findings. Last time the wastewater plan was reviewed the annual rate increases were 3–5% for 4 years (2 years implemented) and the capital improvement program did not include any significant projects related to the treatment plants and did not build any significant capital reserves. That is no longer the case. The rate increases did anticipate funding for the debt service effluent reuse project. This time the wastewater system capital improvement plan (CIP) has items to be debt financed but to include the anticipated upsizing as part of the Master Plan. Now there are facility plants that need immediate improvements. The updated five-year CIP is 68.5 million dollars.

Dan Danicic explained the Wastewater Treatment Plant improvements include the Dayton Avenue Pump Station repair & upgrade which could be subject to fines in 2010 if not addressed. The pump station works but capacity is needed to meet the peak need if a pump fails. The oxidation ditches need to be addressed as well. A lot of expansion is being calculated into the system development charges (SDCs).

Ernie Amundson asked with the amount of growth can another treatment plant be built across town.

Dan Danicic replied this plant can expand to be efficient through the year 2040 and if the town continues to grow after that, another plant may be considered.

Deb Galardi continued to review the operations and maintenance costs showing the major categories in the operation budget for 2009.

Dan Danicic stated the City will try contracting out for help in the maintenance work instead of adding a 3-person maintenance crew.

Deb Galardi explained the preliminary wastewater system financial plan and reviewed the current revenues, stating there isn't a lot of money available for capital. Deb reviewed the coverage with and without SDC revenues which cannot be heavily relied on since the SDC amount can change and is not a stable revenue source. The plan needs to incorporate a cash fund for capital. Priorities are to operate and maintain the system and pay the debt.

Mat Haug asked about the CIP and if it can be spread over growth.

Deb Galardi replied the SDCs come in over a long period of time and money needs to be fronted. The debt service can be paid off with SDCs, but the growth over the next five years isn't sufficient to get the improvements in place.

Ernie Amundson asked if the property has to be funded in one year.

Dan Danicic replied yes, because Baker Rock will want the full purchase price for the property at the time of acquisition.

Mike Gougler asked if the projected rate increase is 21% per year.

Deb Galardi replied yes it is.

Deb Galardi reviewed the 2008 cost of service issues explaining that on the water side there is a new category and costs are allocated in the wastewater system which she explained. Effluent reuse is helping the plant meet requirements and the strength of the wastewater is a criteria. (Effluent reuse is a new category allocated by average use.)

Mayor Bob Andrews said a pretreatment program was adopted and asked if it could be expanded to those who are discharging certain chemicals.

Dan Danicic replied he believes so.

Deb Galardi did a study and updated the allocation percentages based on the SDC study findings. She reviewed the pie chart that compared this rate study with the last one and the average flow component has decreased some.

Deb Galardi reviewed the existing and revised rates stating that the volume rates go up. Infiltration and inflow is a community problem and is more reflective of service connections than the size of pipe.

Mayor Bob Andrews asked for clarification on the basic service charge and if it's based on summer and winter usage.

Dan Danicic replied it's based on the winter water use. Water used in the house goes out the pipe to the wastewater plant. It's not done in the summer because outdoor water is used.

Mat Haug asked if it's four months and which ones.

Elizabeth Comfort, Finance Director replied yes, from December to March.

Deb Galardi continued by explaining the customer class impacts, customer classes, monthly bills, and the percentage change. All the costs are increasing which impacts the classes differently.

Mayor Bob Andrews asked about outside city sewer.

Dan Danicic replied it affects a handful of residential properties outside the City; the most recent involves the property where Ninth Street comes out on Highway 219.

Deb Galardi explained the 2007 rate comparison for single family for Newberg and surrounding areas.

Mat Haug asked about the 9.59 residential usage and profile.

Dan Danicic replied it's based on the year long average for residential.

Mat Haug asked if water rates are higher or lower than this.

Deb Galardi reviewed the commercial customer classification and how commercial is categorized into Commercial 1, 2 & 3, as well as the number of accounts represented in those classifications. The 2007 rate comparison shows the majority of commercial rates in Newberg are comparable to other communities.

Mike Gougler stated they're shaping the kind of economic development for the future and assuring a better community.

Charles Zickefoose stated there were ten years with a flat rate and now these projects need to be done.

Mike Gougler stated nothing in development comes within a year, so when you've made assumptions based on costs and fees and then jump within a matter of months, the model is gone. That affects the community. Mike gave some examples. The SDC bump has really hurt. The choice is to choose not to fund and not grow or fund it and grow.

Ernie Amundson stated he can't see how this increase can be supported with the financial crisis.

Tony Rourke asked how long the CRRC has been aware of the upgrades and improvements needed.

Dan Danicic replied within the last year.

Tony Rourke asked the City's view on financing.

Dan Danicic replied for years the rates have been structured with little being set aside for replacement funds. A lot of funds are currently backed by SDCs. The result is a need for debt financing of large value projects.

Mat Haug stated it has been his experience that the CRRC has a tendency to push off the costs. The consequences of not having the capital funds in place needs to be discussed. Money needs to come in to meet this plans criteria and he's heard no other comments on how to reduce any costs other then what has been presented here.

Mayor Bob Andrews stated he appreciates Ernie's concerns on the financial difficulties this could present to the population and asked if he had any ideas for alternatives to fund the projects.

Ernie Amundson replied that one of the problems he has with City government is every time there is a budget process, there are no clear paths where we struggle and where we keep up.

Mat Haug asked if Ernie was suggesting the money collected by this program isn't used appropriately

Ernie Amundson replied there had been a lot of money over the last few years, but it gets funded differently for CIPs. The process seems to change every time.

Elizabeth Comfort stated all the money collected goes to utility funds and stays there.

Mike Gougler stated the CRRC has been presented with a budget that is scientifically assembled with basis data on current costs and rates, finding that we need an increase in order to prepare for the future. The role of this committee is simple; to access credibility to the data presented. If the committee can't come up with another proposal, such as stopping growth, with no more expansions of industrial sites, and residential development, etc., that's the only other choice.

Mayor Bob Andrews stated there are communities in Oregon that limit building permits, although he is not an advocate of this.

Mat Haug stated people will complain even if it was an increase of 5%.

Mike Gougler stated the committee needs to balance the increases on what they believe is reasonable on how this will be on the public. You have to, with realistic numbers, forecast what will be spent.

Mat Haug asked if it comes down to the different scenarios to reduce CIPs.

Mike Gougler replied he doesn't recommend pushing it out.

Mike Gougler asked if the City will require submitting a bid on prevailing wage.

Dan Danicic replied if you have more then 50,000 dollars you need to pay prevailing wages.

Ernie Amundson asked about a sawdust dryer.

Dan Danicic replied the sawdust used in the composter needs to have a certain percentage of moisture content. Right now the sawdust is so wet the composters aren't working efficiently. To help mitigate that, the City is buying wood pellets to help absorb moisture which come from Idaho which is cheaper than elsewhere. The alternative to composting is to land apply the biosolids. The City would need trucks and staffing to monitor and test it, as well as answering to DEQ.

Tony Rourke asked what phase includes the Austin property.

Dan Danicic replied for the full build out, phase two needs to be in place.

Ernie Amundson asked if 1.2 million dollars is expected in SDCs.

Deb Galardi replied no, these are not dollars but the ratios to debt service whether SDCs are included or not. The SDC report showed how much of the cost was related to SDC's.

Ernie Amundson stated it seems the SDCs exceed the forecast.

Dan Danicic replied that we won't be collecting this year what we had forecasted.

Mike Gougler stated he's not comfortable forecasting slow growth. The City Council can have the option of asking CRRC to come back to review this again if needed.

Charles Zickefoose stated there are some hard numbers that would show a slower growth with calculations already being made.

Mike Gougler stated that doing growth calculations at the bottom of the trough is difficult. These numbers are realistic. The only way to extrapolate is to come back in a year and look at them again.

Dan Danicic asked if the committee wanted to adopt a one year rate increase.

Mat Haug stated they could keep to this program but rather than waiting until 2010, we could come back next year and revisit the plan.

Mayor Bob Andrews asked if that meant the plan, not the funding.

Mat Haug replied all of it.

David Maben stated he was fine voting for two years which would fund it and get the designs going.

MOTION: Gougler/Zickefoose to approve the staff recommended budget and fee increase rate percentage as presented for two years; staff will watch growth and if they determine there should be an adjustment they can call the CRRC back for further discussion. 5 Yes/1 No [Amundson]) Motion carried.

Ernie Amundson asked if the CRRC meetings are open to the public.

Mat Haug replied absolutely.

Dan Danicic stated the next meeting is scheduled for April 9, 2008.

After discussion the following motion was made:

MOTION: Maben/Gougler to meet on April 23, 2008, canceling the April 9, 2008 scheduled meeting, for the public hearing and discussion on Aspen Estates. Motion carried by voice vote.

Tony Rourke asked how the meetings are advertised.

Dan Danicic explained the process and stated the proposed rate increases will be included in those advertisements.

MOTION: Haug/Amundson to adjourn at 9:05 p.m. until the next meeting on April 23, 2008 at the Public Safety Building. Motion carried by voice vote.